



## Sun Life Financial Inc. (TSX:SLF): Should You Buy the Stock on the Dip?

### Description

**Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) is down about 10% in the past three months.

Let's take a look at the current situation to see if this is the right time to add the company to your [portfolio](#).

### Earnings

Sun Life reported solid Q2 2018 results. Underlying net income came in at \$729 million compared to \$689 million in the same period last year. Underlying earnings per share rose to \$1.20 from \$1.12. Return on equity increased to 13.5% from 11.4%, and assets under management rose 4% to \$986 billion.

Sun Life primarily operates insurance and wealth management businesses in Canada, the United States, and Asia. The company also has operations in the United Kingdom.

The net income distribution is reasonably balanced, with Sun Life Canada contributing 31%, Sun Life Asset Management supplying 28%, Sun Life Asia providing 19%, Sun Life U.S. adding 16%, and Sun Life U.K. pitching in 6%.

For the quarter, insurance sales rose 12% to \$633 million, compared to Q2 last year. Sun Life Asia led the way with a 33% gain in individual sales, supported by strong growth in China and India. Sun Life Canada saw a surge in large case sales in group benefits, as well as individual insurance, providing a 16% year-over-year gain. Sun Life U.S. sales dipped 2% due to lower employee benefit large case sales.

Wealth management sales had a rough quarter compared to last year, dropping by 16% to \$30.8 billion. Asia saw a 9% decline, Canada slipped 20%, and Sun Life Asset Management sales, which include the U.S.-based MFS operations, fell 12%.

### Opportunities

Rising interest rates should be a net benefit for Sun Life, as they boost the return the company can get on the funds it sets aside in fixed-income investments to cover potential claims.

Long-term growth potential in Asia is probably the main reason to consider the stock. Sun Life has strong established partnerships or subsidiaries in India, China, Indonesia, Malaysia, Vietnam, and the Philippines. As the middle-class grows in these markets, Sun Life should see increased demand for insurance and wealth management products.

## Dividends

Sun Life pays a quarterly dividend of \$0.475 per share for a [yield](#) of 3.7%. The company is targeting medium-term earnings per share growth of 8-10%, so investors should receive steady increases in the distribution.

## Should you buy?

Another meltdown in the equity markets would be negative for the stock, which must be considered when evaluating the company. However, Sun Life is less exposed today than it was when the Great Recession hit due to the sale of the U.S. annuities business that caused much of the grief during the downturn.

The dip in the stock from close to \$56 in May to the current price around \$51 should be a good buying opportunity for a buy-and-hold RRSP or TFSA portfolio.

## CATEGORY

1. Dividend Stocks
2. Investing

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